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Malartic
Hygrade
Gold Mines
(Quebec) Ltd.

Annual Report
1973



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Malartic
Hygrade
Gold Mines
(Quebec) Ltd.

Officers

Gerard Paquette	President
H. Peter Jarvis	Vice-President
A. Leonard Fosbrooke	Secretary-Treasurer

Directors

A. Leonard Fosbrooke	Montreal, Canada
H. Peter Jarvis	Toronto, Canada
Gerard Paquette	Toronto, Canada
Francisco Paesa	Geneva, Switzerland
Lord Willis of Chislehurst	London, England

Registrar and Transfer Agents

Guaranty Trust Company of Canada
Toronto, Ontario and Montreal, Quebec

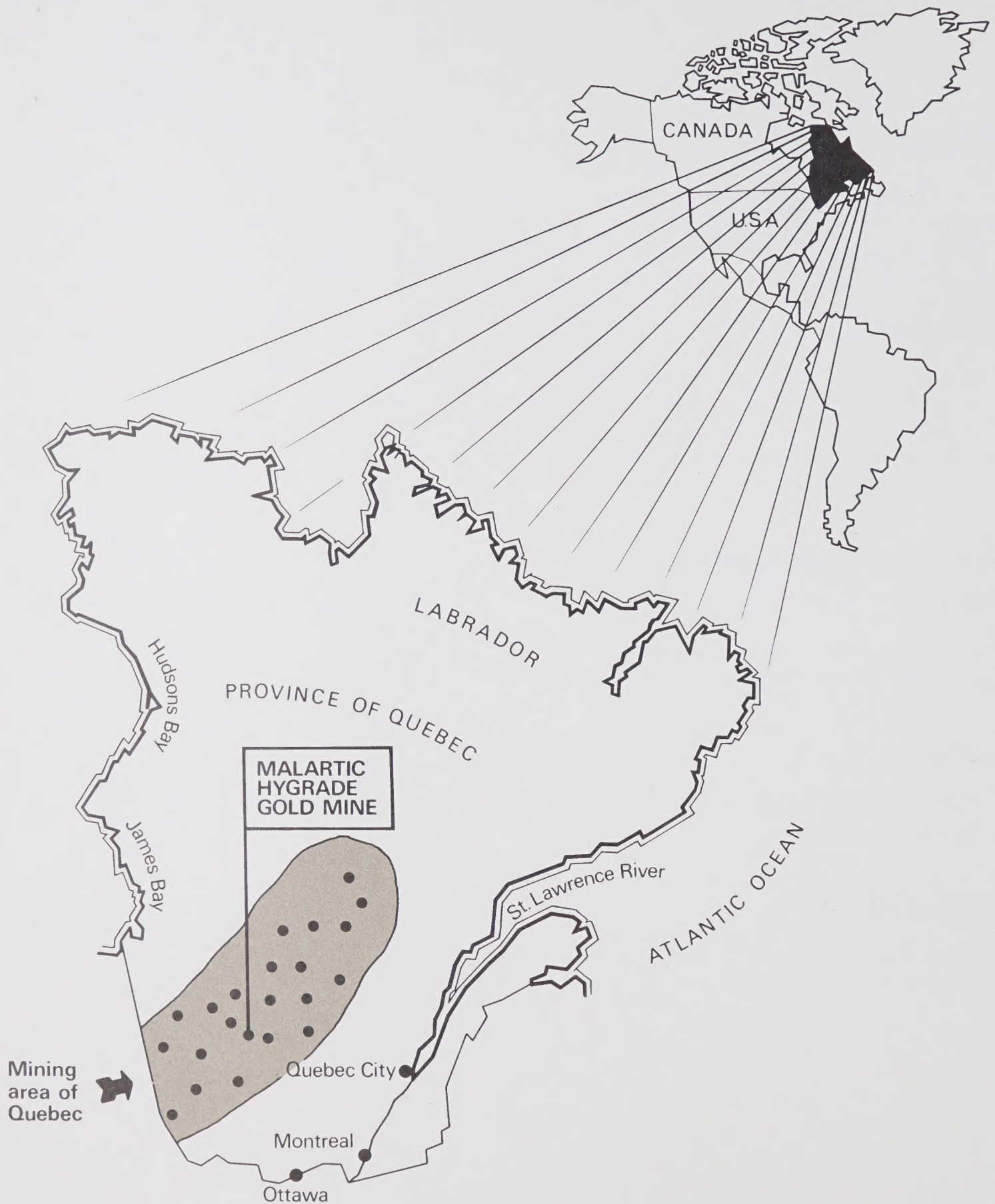
Auditors

Fortier, Thibault, Marchant & Ass., C.A.
Montreal, Quebec, Canada

Head Office

48 Beauce – Place Bonaventure
Montreal H5A 1E1, Quebec, Canada

Mining area



To the Shareholders



Malartic
Hygrade
Gold Mines
(Quebec) Ltd.

The Directors herewith submit their Annual Report of the Company, together with the Financial Statement and Auditors' Report, for the year ended September 30th, 1973.

We are pleased to inform shareholders that two new members have been elected to the Board of Directors during the course of the year. The new Directors are Lord Willis of Chislehurst, Corporate Executive of London, England, and Mr. Francisco Paesa, Banker, of Geneva, Switzerland. Lord Willis has extensive business interests in the United Kingdom and overseas. Mr. Paesa is an Executive of the Alpha Bank, A.G. and is actively engaged in financial and investment activities in Europe, South Africa, North America and elsewhere. The outstanding qualifications and experience of Lord Willis and Mr. Paesa make an invaluable contribution to the interests of the Company and its shareholders.

During the year your Company conducted an underground survey of the mining operations of Camflo Mines Limited adjacent to our common boundary. Results of this survey are contained in the Mine Report and illustrated in the diagrams contained herein. This survey, conducted with the approval of Camflo Mines Limited, is of special significance to our shareholders because it is the first detailed official documentation of the underground position at our common boundary. Representatives of your Company have been conducting negotiations with officials of Camflo Mines Limited since the beginning of 1973 in an effort to make an agreement between the two Companies. The purpose of the agreement would be to arrange for Camflo to use their plant and facilities to mine ore from your Company's property under a profit-sharing agreement. In a letter to Camflo shareholders, dated June 5th, 1973, the President of Camflo Mines Limited described these negotiations as "meaningful and significant". The Directors of your Company concur in this interpretation.

Camflo Mines Limited is presently conducting extensive mining operations in the area of our common boundary. The negotiations were initiated by Camflo Mines Limited and have been continuing since February of this year. The underground survey was completed relative to these discussions. The facts concerning the major porphyry ore zone in question are well known to both Companies, and its direction and passage across the boundary

on to your Company's property have been fully established. The fact is that the ore zone is a single economic entity shared by both Companies, and it is our position that an agreement would be not only in the interests of our shareholders but also Camflo shareholders.

Your Directors have deferred other plans and negotiations relative to the Malartic Township property because of the fact that the discussions and negotiations with Camflo Mines Limited over the past few months indicate the real possibility of reaching an agreement satisfactory to both companies. Should it not be possible to negotiate an agreement with Camflo which would be in the best interests of the Company, then we intend to proceed to implement alternate arrangements. The rise in the free market price of gold during the past year has intensified third party investment interest in your Company and its plans.

The Directors wish to draw your attention to the Financial Statement in this Report which shows that your Company has now discharged all of its long-term liabilities. This allows your Company to make suitable financial arrangements without the encumbrance of an existing debt structure.

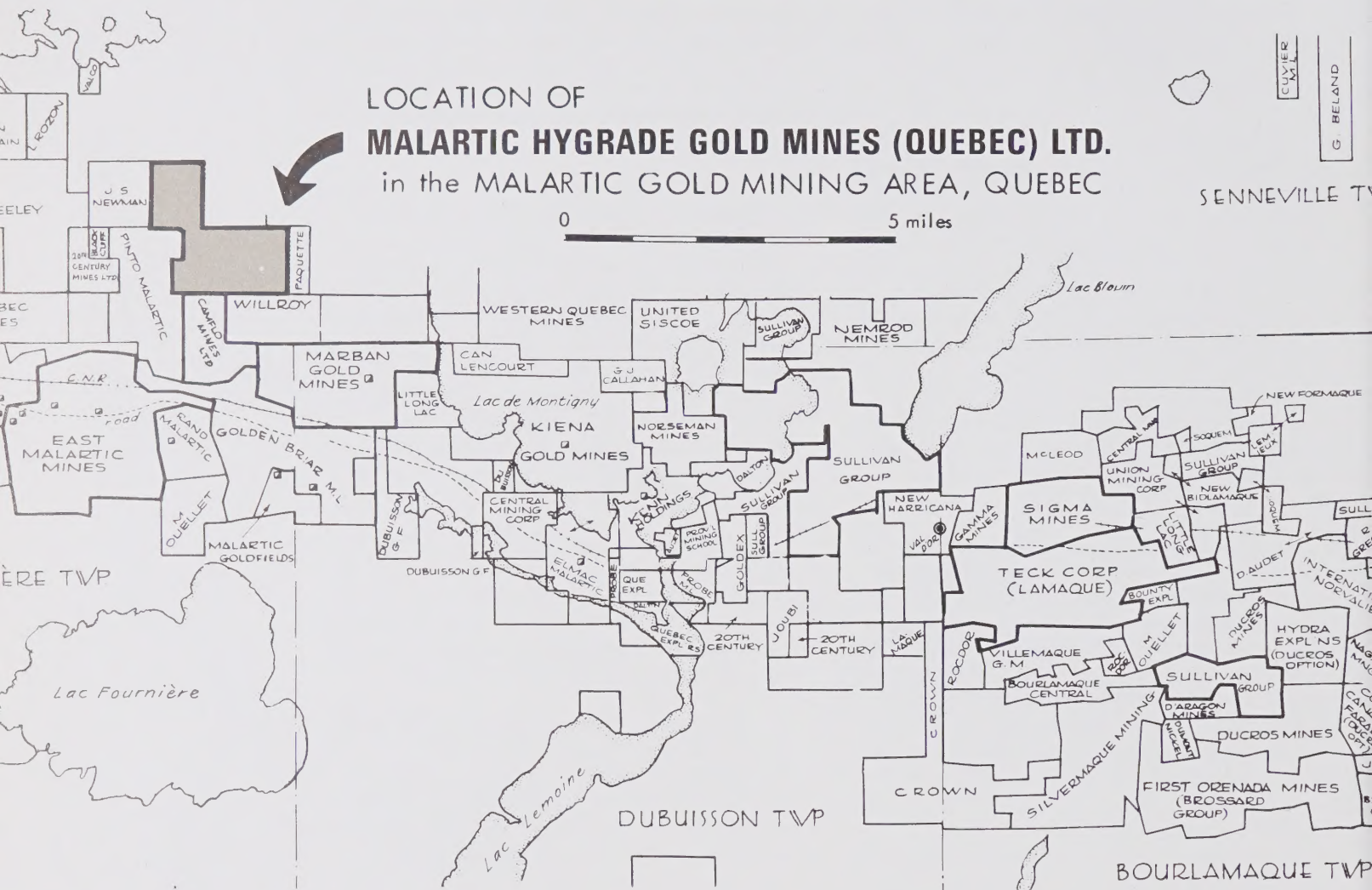
During the course of the year internal corporate developments have occurred and external forces have arisen which your Directors believe have had a significant favourable impact on your Company, and we believe that shareholders can look forward with confidence to the Company's future.

On Behalf Of The
Board of Directors

A handwritten signature in dark ink, appearing to read 'Gerard Paquette', written in a cursive style.

Gerard Paquette, President

Location





Malartic
Hygrade
Gold Mines
(Quebec) Ltd.

In July of this year, the Company completed a detailed official underground survey of Camflo Mines Limited Malartic Township mine to determine the exact position of Camflo mining operations from the Malartic Hygrade boundary. As a part of our negotiations with Camflo, which would permit that company to mine Malartic Hygrade ore, the Survey was conducted by mutual agreement and the Malartic Hygrade surveyors submitted their report in September of this year.

While there are diorite ore zones which are located nearby that have a similar attitude to the Malartic Hygrade property, of chief immediate concern is the Camflo mining operation of the major porphyry ore zone which crosses onto Malartic Hygrade property. This is the principal ore zone which is the main subject of the negotiations with Camflo Mines. Since 1964 Camflo has mined this zone which, in recent years, has been illustrated in diagrams published by both Camflo Mines Limited and your company in our respective annual reports.

The ore zone in question is known by both companies to cross the Malartic Hygrade boundary between approximately the 2,000 and 2,500 foot levels of the Camflo mine. Camflo is mining out the ore zone in close proximity to our mutual boundary.

The underground survey indicated that Camflo's main drifts (underground passages) have reached the following distances from the Malartic Hygrade boundary (see vertical cross section diagrams on pages 6 and 7).

LEVEL (Feet)	DISTANCE (Feet)
1,950	40
2,100	20
2,250	60
2,400	50
2,550	70

While the survey was concerned only with these significant measurements, certain geological inferences can be made as to the existence, passage and tonnage of the ore zone as it continues onto Malartic Hygrade property. Such inferences were fundamentally concerned in the initiation by Camflo Mines Limited of current negotiations to obtain a mining agreement with Malartic Hygrade.

The ore zones of the chimney type usually found in the Val d'Or-Malartic gold mining region of

Quebec are known to reach depths of some 6,000 feet. It is therefore not unreasonable to infer in the case of this ore zone, that there is as much ore again as has already been mined out by Camflo operations since 1964.

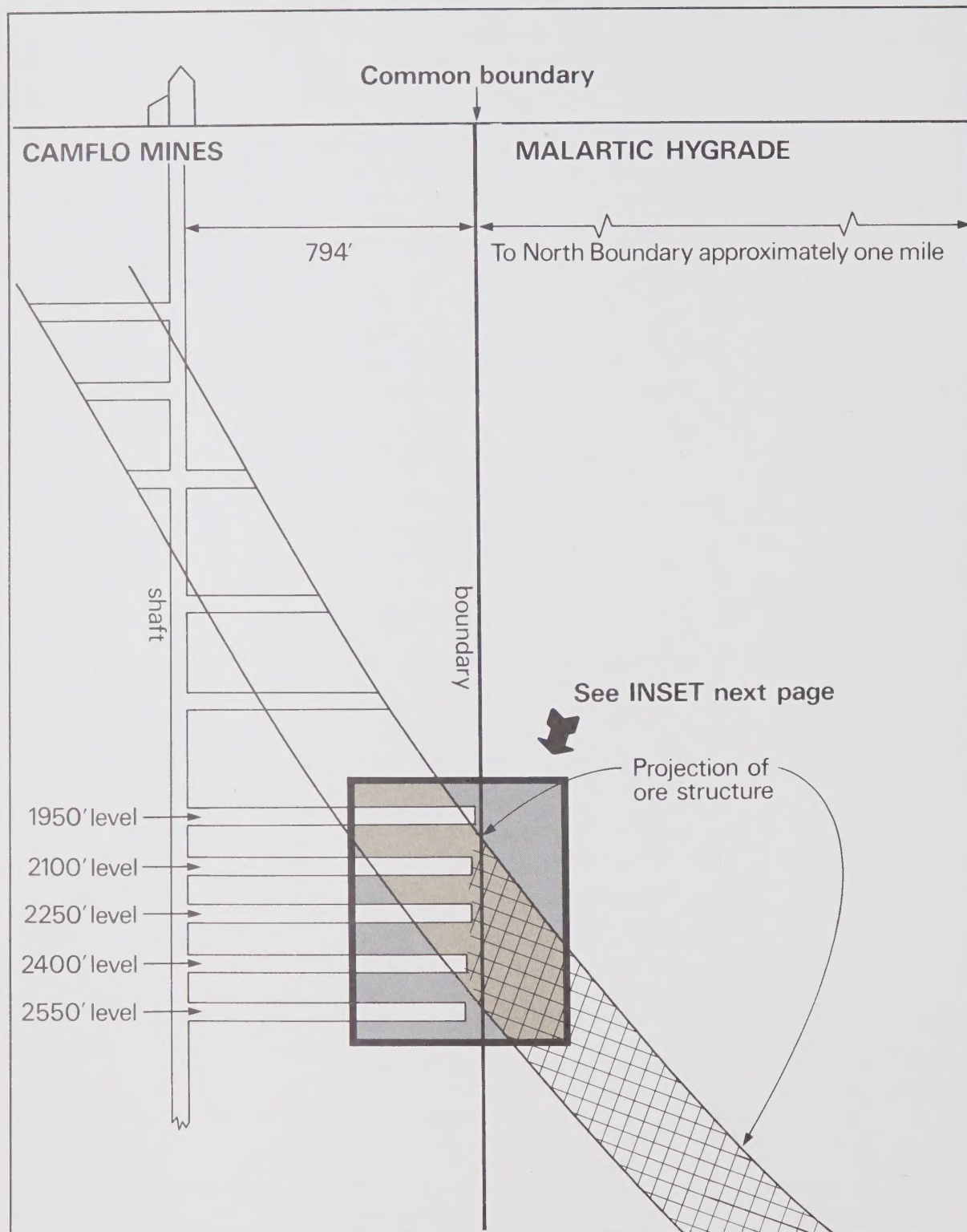
The Camflo mining operations relative to this ore zone commenced in the year 1964 at a depth of approximately 500 feet below surface. Since that time Camflo has mined this ore zone to a present depth below surface of 2,500 feet. Camflo mining operations demonstrate that this ore zone crosses the Malartic boundary between the 2,000 and 2,500 foot levels of their Mine. Thus the ore zone is known to exist as it crosses our common boundary between the depth of 2,000 and 2,500 feet; a vertical distance of approximately 500 feet.

The average grade of ore which has been mined by Camflo has been indicated in their published Annual Reports. In 1971, the grade of ore mined as reported by Camflo was .243 ounces gold per ton. In 1972, that Company reported that the average grade of ore mined was .263 ounces gold per ton.

Certain calculations can be made from this known and inferred information in respect to the zone on the Malartic Hygrade side of the boundary. Your Company Management estimates that probable ore geologically inferred to a depth of 3,500 feet is 2.2 million tons, grading an average of .25 ounces gold per ton. This estimate is based upon the assumption that the porphyry stock below the 2,500 foot level is similar to that which exists and existed from the 500 foot level down to the 2,500 foot level of the Camflo mine.

It is apparent that an agreement made between your Company and Camflo would be beneficial to both Companies. Since this ore zone on the Malartic Hygrade side of the boundary is the natural continuation of the ore zone presently being mined by Camflo Mines, an agreement between the two Companies would allow present mining operations to continue without any abnormal cost or interruption to present Camflo mining operations. On October 1st, 1973, a proposal was submitted by your Directors to the Board of Directors of Camflo Mines Limited. This written proposal was the result of many months of discussion and negotiation. The effect of an agreement in this respect would be to bring your Company's Malartic Township property into production.

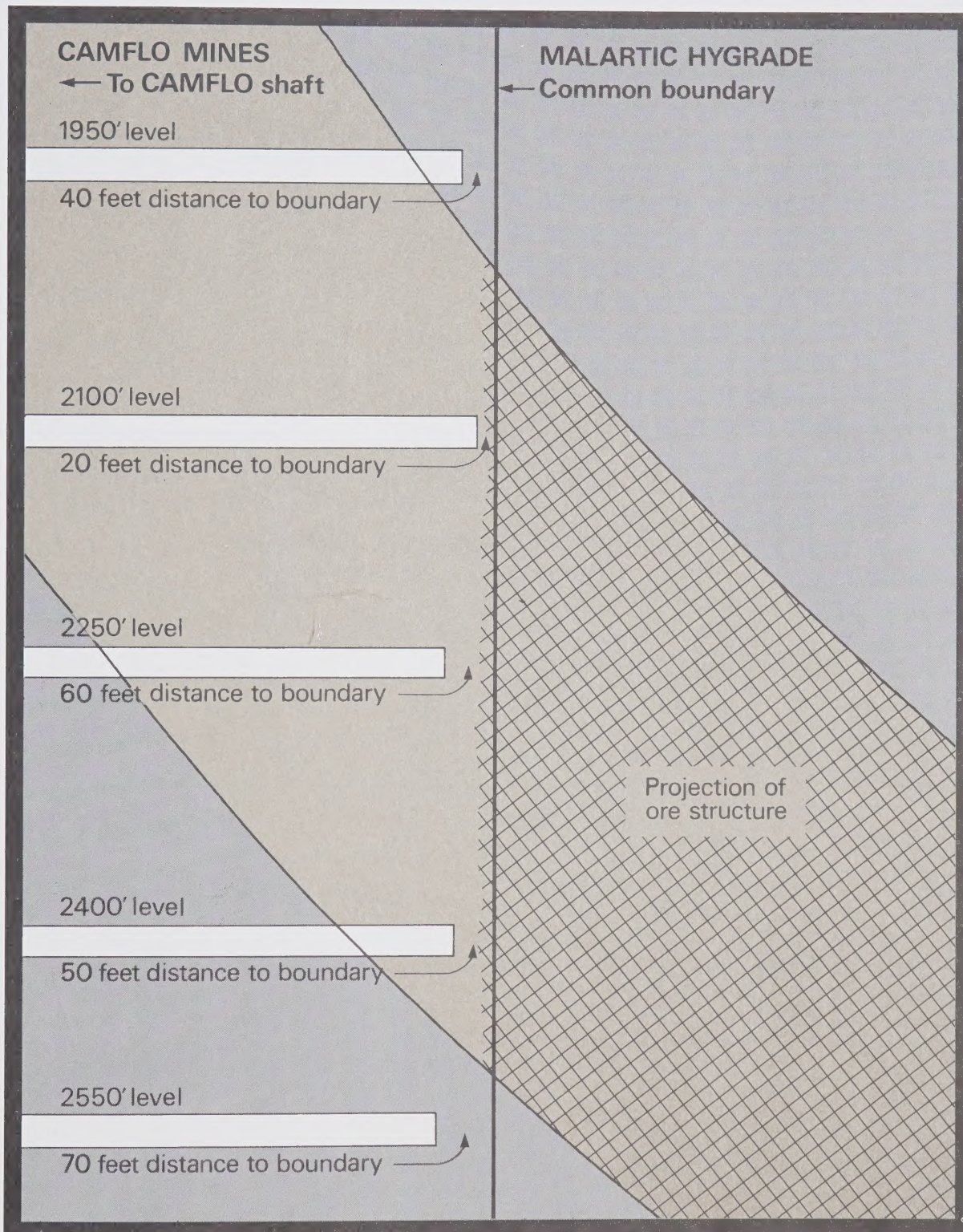
Vertical Cross Section



Inset-Vertical Cross Section



Malartic
Hygrade
Gold Mines
(Quebec) Ltd.



Balance Sheet

As at September 30th, 1973

Assets

	1973	1972
Current		
Cash and term deposit	\$ 21,194	\$ 27,443
Accounts receivable and accruals	2,948	—
	<u>\$ 24,142</u>	<u>\$ 27,443</u>
Building Machinery and Equipment	<u>\$1,129,515</u>	<u>\$1,129,515</u>
Mining Properties and Claims		
Malartic Township, Province of Que. (note 1)	\$1,750,000	\$1,750,000
Dasserat Township, Province of Que. (note 2)	1	1
Montbeillard Township, Province of Que. (note 3)	1	1
Poirier Township, Province of Que. (note 4)	1,001	1,001
	<u>\$1,751,003</u>	<u>\$1,751,003</u>
Deferred Expenditures, Exploration		
Development and other expenditures	\$ 684,498	\$ 630,008
	<u>\$3,589,158</u>	<u>\$3,537,969</u>



Malartic
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(Quebec) Ltd. *

Liabilities

	1973	1972
Current		
Bank loan	\$ —	\$ 25,000
Accounts payable and accrued liabilities	2,157	25,968
7% First Mortgage Bonds (note 5)	—	10,000
	<u>\$ 2,157</u>	<u>\$ 60,968</u>

Shareholders' Equity

Capital Stock (notes 1, 5, 6, 7)

Authorized:

5,000,000 Shares, no par value, to be issued for an
aggregate consideration not exceeding \$5,000,000

Issued and fully-paid:

2,841,687 Shares (1972 – 2,591,687 Shares)	<u>\$3,587,001</u>	<u>\$3,477,001</u>
	<u>\$3,589,158</u>	<u>\$3,537,969</u>

The accompanying notes are an integral part of these financial statements

On behalf of the Board

A. L. Fosbrooke, Director

G. Paquette, Director

Auditors' Report

To the Shareholders of

Malartic Hygrade Gold Mines (Quebec) Ltd.

We have examined the balance sheet of
"MALARTIC HYGRADE GOLD MINES (QUEBEC)
LTD". as at September 30th, 1973. Our examination
included a general review of the accounting
procedures and such tests of accounting records
and other supporting evidence as we considered
necessary in the circumstances.

In our opinion, the above balance sheet
presents fairly the financial position of the company
as at September 30th, 1973, in accordance with
generally accepted accounting principles applied
on a basis consistent with that of the preceding
year.

Montreal,
October 18, 1973.

FORTIER, THIBAUT, MARCHAND & CIE
Chartered Accountants

Notes to the Balance Sheet

As at September 30th, 1973

1 — Under the terms of an agreement dated June 10, 1968, the company acquired all the assets and assumed all the liabilities of Malartic Hygrade Gold Mines Ltd. The consideration for the purchase was to be 1,341,682 fully-paid and non assessable shares in the company. The directors of the company have determined the value of the shares so issued to be \$3,137,000 allocated as follows:

Assets acquired:

Mining properties and claims . . .	\$1,750,000
Buildings, machinery and equipment	1,125,000
Deferred mine development costs	400,000
	<u>\$3,275,000</u>
Liabilities assumed	138,000
Net assets acquired	<u>\$3,137,000</u>

2 — The company has a 25% interest in 5 claims in the Township of Dasserat in the County of Rouyn-Noranda.

In consideration of the company assuming the cost of developing the claims sufficiently to determine their merits, and if the company decided that the claims or any of them contain an economic ore body, the company is to receive a 62½ % interest in a new company to which those claims containing the ore body would be transferred.

3 — The company owns three claims in the Township of Montbeillard in the County of Rouyn-Noranda.

4 — The company has acquired a 25% interest in eight claims in the Township of Poirier in the County of East Abitibi at a cost of developing the claims sufficiently to determine their merits, and if the company decided that the claims or any of them contain an economic ore body, the company is to receive an 85% interest in a new company to which those claims containing the ore body would be transferred.

5 — The 7% First Mortgage Bonds dated August 1, 1968, matured July 31, 1973. The Bonds were secured by a first fixed floating charge on all

the present and future assets of the company. The Bonds were convertible at the option of the holder into fully-paid shares of the company at the rate of 500 shares for each \$100 principal.

The Bonds were redeemable at par, plus a premium of 7½ %. Previously, 7% First Mortgage Bonds with a face value of \$190,000 were converted into 950,000 fully-paid shares of the company. During the year \$10,000 7% First Mortgage Bonds were converted into 50,000 fully paid shares of the company.

6 — Capital stock has been issued as follows:

	Number of shares	Net value
For net assets acquired		
(note 1)	1,341,682	\$3,137,000
For cash (note 7) . . .	500,005	250,001
On conversion of 7% First Mortgage Bonds	1,000,000	200,000
	<u>2,841,687</u>	<u>\$3,587,001</u>

7 — The company issued share purchase warrants to the bondholders at the time of issue of the Bonds. These warrants, issued at the rate of 250 shares for each \$100 principal of Bonds, expired on July 31, 1973, and entitled the holders thereof to purchase shares in the company at 50 cents per share. Previously, 300,000 shares in the company were issued as fully-paid and non assessable for a consideration of \$150,000 on the exercise of 300,000 share purchase warrants. During the year 200,000 fully-paid and non-assessable shares were issued for consideration of \$100,000 on the exercise of the remaining 200,000 share purchase warrants.

8 — The company has filed a writ in the Superior Court of Ontario against Camflo Mines Limited for damages and for an injunction preventing the defendant from trespassing on the lands of the company.

Legal fees and court costs in the amount of \$8,580 have been incurred to September 30th, 1973 in connection with this action. The solicitor for the company estimates that future legal fees and court costs will be approximately \$15,000.

Statement of deferred exploration development and other expenditures



Malartic
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Gold Mines
(Quebec) Ltd.

For the year ended September 30, 1973

Exploration and Development

Malartic Township

Equipment maintenance	\$ 379	
Government fees, licenses and taxes	2,122	
Mine watchman's salary and benefits	4,157	
Insurance	2,577	
Surveying and drilling	<u>19,682</u>	\$ 28,917

Dasserat Township

Government fees, licenses and taxes		70
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Montbeillard Township

Government fees, licenses and taxes		28
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Poirier Township

Government fees, licenses and taxes	\$ 520	
Line cutting	<u>1,350</u>	1,870
		<u>\$ 30,885</u>

Administration

Audit fees	\$ 900	
Bank charges and interest	112	
Directors' fees	1,200	
Legal fees	6,000	
Postage, printing and stationery	1,838	
Secretary's salary and benefits	4,719	
Stock exchange fees and expenses	100	
Tax on capital and place of business	167	
Telephone and office expenses	2,574	
Transfer agent's fees and expenses	3,300	
Travelling expenses	<u>3,450</u>	24,360

Expenditures for Year

\$ 55,245

Less: Interest earned on term deposits

755

Net Expenditures for Year

\$ 54,490

Balance Deferred at Beginning of Year

630,008

Balance Deferred at End of Year

\$684,498



Malartic
Hygrade
Gold Mines
(Quebec) Ltd.

